

CITY OF SNOQUALMIE
King County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. The City Should Meet Its Debt Service Requirements

During 1992, the net margin for debt service produced by the city's water utility was not sufficient to meet the requirements of its bond ordinance. The margin available for debt service shortfall is calculated as follows:

	<u>1992</u>
Operative Revenues	\$355,092.15
Miscellaneous	
Revenues	<u>38.32</u>
Total Revenues	<u>355,130.47</u>
Operating Expenses	235,034.03
Administrative and	
Rent Expenses	<u>40,131.82</u>
Total Expenses	<u>275,165.85</u>
Margin Available for	
Debt Service	79,964.62
Required Margin	<u>86,487.60</u>
Shortfall	<u>\$ 6,522.98</u>

Bond Ordinance 616, Section 11(b) states, in part, that the city:

... will establish, maintain and collect such rates and charges for water service so long as any bonds and any Future Parity bonds are outstanding which will provide Net Revenue of the system annually at least 1.20 times the Annual Debt Service on the Bonds.

The city's 1992 debt service on the bonds, as per the bond debt service schedule, amounted to \$72,073.00. Multiplied by the 1.20 coverage requirement of the bond ordinance, the amount necessary to meet the requirement was \$86,487.60.

This has the effect of the city being out of compliance with its bond covenants. The same situation was disclosed in our 1990/91 audit of the city.

We recommend the city set utility rates that are sufficient to ensure that revenues generated are adequate to meet the terms of its bond covenants.